

TOWN OF QUINTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2014

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees  
Town of Quinton  
Quinton, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Quinton's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Quinton, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2016, on my consideration of Town of Quinton's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 29, 2016

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 294,939	\$ 72,722	\$ 367,661
Investments	50,364	-	50,364
Restricted assets:			
Cash and cash equivalents	-	69,984	69,984
Investments	-	13,200	13,200
Accounts receivable, net	-	40,756	40,756
Due from other governments	29,762	-	29,762
Internal balances	349	(349)	-
Prepaid assets	-	1,789	1,789
Court fines receivable, net	11,753	-	11,753
Total current assets	387,167	198,102	585,269
Non-current assets:			
Capital assets:			
Land	10,325	12,029	22,354
Other capital assets, net of depreciation	92,776	2,526,993	2,619,769
Total non-current assets	103,101	2,539,022	2,642,123
Total assets	490,268	2,737,124	3,227,392
LIABILITIES:			
Accounts payable & accrued liabilities	4,310	20,501	24,811
Accrued interest payable	-	7,253	7,253
Meter deposit held in trust	-	32,845	32,845
Long-term debt current	-	36,752	36,752
Lease purchase current	2,657	-	2,657
Total current liabilities	6,967	97,351	104,318
Long-term debt non-current	-	1,420,037	1,420,037
Total non-current liabilities	-	1,420,037	1,420,037
Total liabilities	6,967	1,517,388	1,524,355
NET POSITION:			
Capital assets, net of related debt	100,444	1,082,233	1,182,677
Restricted for debt	-	50,339	50,339
Restricted for meter deposit	-	32,845	32,845
Unreserved	382,857	54,319	437,176
Total net position	\$ 483,301	\$ 1,219,736	\$ 1,703,037

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Function/Programs					
Governmental activities					
Administration	\$ 28,660	\$ -	\$ 7,657	\$ -	\$ (21,003)
Public safety	182,113	22,724	-	7,867	(151,522)
Community services	65,162	1,911	3,647	-	(59,604)
Total governmental activities	<u>275,935</u>	<u>24,635</u>	<u>11,304</u>	<u>7,867</u>	<u>(232,129)</u>
Business-type activities					
Utilities	<u>409,234</u>	<u>300,375</u>	<u>-</u>	<u>-</u>	<u>(108,859)</u>
Total business-type activities	<u>409,234</u>	<u>300,375</u>	<u>-</u>	<u>-</u>	<u>(108,859)</u>
Total primary government	<u>\$685,169</u>	<u>\$325,010</u>	<u>\$ 11,304</u>	<u>\$ 7,867</u>	<u>\$ (340,988)</u>
Primary Government					
Changes in net position:					
Net (expense) revenue		<u>\$ (232,129)</u>	<u>\$ (108,859)</u>	<u>\$ (340,988)</u>	
General revenues					
Taxes					
Sales/Use		233,771	-	233,771	
Franchise		20,454	-	20,454	
Cigarette Tax		2,443	-	2,443	
Royalties		3,609	-	3,609	
Investment income		1,589	555	2,144	
Miscellaneous		<u>1,716</u>	<u>5,611</u>	<u>7,327</u>	
Total general revenue		<u>263,582</u>	<u>6,166</u>	<u>269,748</u>	
Change in net position		31,453	(102,693)	(71,240)	
Net position - beginning		<u>451,848</u>	<u>1,322,429</u>	<u>1,774,277</u>	
Net position - ending		<u>\$ 483,301</u>	<u>\$ 1,219,736</u>	<u>\$ 1,703,037</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 156,166	\$ 138,773	\$ 294,939
Investments	-	50,364	50,364
Receivables:			
Due from other governments	24,606	5,156	29,762
Due from other funds	6,745	149	6,894
Court fines receivable, net of allowance of \$4,276	11,753	-	11,753
Total assets	<u>\$ 199,270</u>	<u>\$ 194,442</u>	<u>\$ 393,712</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable & accrued liabilities	\$ 3,560	\$ 750	\$ 4,310
Due to other funds	149	6,396	\$ 6,545
Total liabilities	<u>3,709</u>	<u>7,146</u>	<u>10,855</u>
Fund Balances:			
Unreserved	195,561	187,296	382,857
Total fund balance	<u>195,561</u>	<u>187,296</u>	<u>382,857</u>
Total liabilities and fund balances	<u>\$ 199,270</u>	<u>\$ 194,442</u>	

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$90,818	103,101
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Certain long-term liabilities are not due and payable  
from current financial resources and, therefore, are not  
reported in the funds:

Capital lease obligation payable	(2,657)
Net position of governmental civilities	<u>\$ 483,301</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Sales tax	\$ 185,498	\$ 37,100	\$ 222,598
Use tax	11,173	-	11,173
Franchise tax	6,175	14,279	20,454
Motor vehicle tax	-	3,647	3,647
Alcoholic beverage tax	7,657	-	7,657
Cigarette tax	2,443	-	2,443
Royalties	3,609	-	3,609
Lot sales	-	1,911	1,911
Intergovernmental	-	7,867	7,867
Fines and court fees	22,724	-	22,724
Investment income	1,119	470	1,589
Miscellaneous	1,716	-	1,716
Total revenues	<u>242,114</u>	<u>65,274</u>	<u>307,388</u>
EXPENDITURES:			
Administration	28,660	-	28,660
Public safety	176,384	-	176,384
Community Services	7,209	52,833	60,042
Total expenditures	<u>212,253</u>	<u>52,833</u>	<u>265,086</u>
Net change in fund balances	29,861	12,441	42,302
Fund balances - beginning	<u>165,700</u>	<u>174,855</u>	<u>340,555</u>
Fund balances - ending	<u>\$ 195,561</u>	<u>\$ 187,296</u>	<u>\$ 382,857</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds \$ 42,302

Amounts reported for governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlays  
as expenditures while governmental activities  
report depreciation expense to allocate those  
expenditures over the life of the assets.

Depreciation expense	<u>(15,989)</u>	<u>(15,989)</u>
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Debt proceeds provide current financial resources  
to government funds, but issuing debt increases  
long-term liabilities in the Statement of Net  
Position. Repayment of debt principal is an  
expenditure in the government funds, but the  
repayment reduces long-term liabilities in the  
Statement of Net Position.

Capital lease obligation principal payments	<u>5,140</u>	<u>5,140</u>
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Change in net position of governmental activities	<u><u>\$ 31,453</u></u>
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The accompanying notes are an integral part of this financial statement.



TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND  
JUNE 30, 2014

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 72,722
Accounts receivable, net	40,756
Prepaid insurance	1,789
Restricted cash	69,984
Restricted investment	<u>13,200</u>
Total current assets	<u>198,451</u>
Non-current assets	
Land	12,029
Capital assets, net of depreciation	<u>2,526,993</u>
Total non-current assets	<u>2,539,022</u>
TOTAL ASSETS	<u>2,737,473</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	20,501
Accrued interest payable	7,253
Deposits subject to refund	32,845
Notes payable	36,752
Due to other funds	<u>349</u>
Total current liabilities	<u>97,700</u>
Non-current liabilities:	
Notes payable	<u>1,420,037</u>
Total non-current liabilities	<u>1,420,037</u>
TOTAL LIABILITIES	<u>1,517,737</u>
NET POSITION	
Capital assets, net of related debt	1,082,233
Restricted for debt	50,339
Restricted for meter deposit	32,845
Unassigned	<u>54,319</u>
Total net position	<u>\$ 1,219,736</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water	\$ 217,360
Sewer	71,590
Water/sewer taps	635
Penalties and reconnects	10,790
Other	<u>5,611</u>
Total operating revenues	<u>305,986</u>
<u>OPERATING EXPENSES</u>	
Wages	81,611
Payroll taxes	6,786
Water	91,961
Insurance	5,582
Legal and trustee fees	58,000
Maintenance and supplies	8,200
Licenses and testing	9,399
Office and postage	6,864
Bad Debt	3,446
Utilities and fuel	5,795
Depreciation	<u>78,309</u>
Total operating expenses	<u>355,953</u>
Net Operating income (loss)	<u>(49,967)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	555
Interest expense	<u>(53,281)</u>
Total non-operating revenue (expense)	<u>(52,726)</u>
Change in net position	(102,693)
Total net position, beginning	<u>1,322,429</u>
Total net position, ending	<u>\$ 1,219,736</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 300,885
Cash payments to employees	(88,397)
Cash payments to suppliers for goods and services	<u>(182,429)</u>
Net cash provided (used) by operating activities	<u>30,059</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan proceeds	710,000
Principal paid on capital debt	(714,232)
Interest paid on capital debt	(53,281)
Purchase of capital assets	(14,000)
Increase in restricted assets - Debt Reserve	<u>6,260</u>
Net cash used in capital and related financing activities	<u>(65,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>555</u>
Net cash provided by investing activities	<u>555</u>
Net increase in cash and cash equivalents	(34,639)
Cash and cash equivalents, beginning	<u>107,361</u>
Cash and cash equivalents, ending	<u><u>\$ 72,722</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (49,967)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	78,309
Changes in assets and liabilities:	
(Increase)/Decrease in Receivables, net	(6,404)
(Increase)/Decrease Prepaid insurance	(200)
Increase/(Decrease) Accounts payable	3,386
Increase/(Decrease) Accrued interest payable	3,632
Increase/(Decrease) Deposits subject to refund	<u>1,303</u>
Net cash provided by operating activities	<u><u>\$ 30,059</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Quinton, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and is governed by a five-member Board. The Trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety, streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographic area organized as the Town of Quinton, Oklahoma. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Quinton Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Quinton Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

The Quinton Public Works Authority (QPWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Quinton, Oklahoma. QPWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to QPWA. QPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by the board consisting of three trustees identical with the Town Council. The QPWA is exempt from State and Federal Income Taxes and is reported as an enterprise fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or ABP opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 45 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income, and user fees. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Quinton Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Town adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the town charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The Town may transfer budgeted amounts within and among departments. The budget is prepared on a cash basis.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2014 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	5-10
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10
Utility system	10-40

Compensated Absences

The Town of Quinton's policy is to permit employees to accumulate earned but unused vacation time. Full time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2014, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$501,209 at June 30, 2014. The bank balance of the deposits at June 30, 2014 was approximately \$509,307.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2014.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2014, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority has accounts receivable from its utility customers in the amount of \$40,756.

The governmental funds have accrued taxes to be received in July and half of August.



TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2014 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 349	Public Works	General Fund
6,247	General Fund	Street and Alley
-	General Fund	Cemetery
<u>\$ 6,596</u>		

NOTE E - RESTRICTED ASSETS

The Authority has restricted cash assets for customer deposits, capital outlay and as a loan reserve for its Rural Development loan.

NOTE F - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated</u>
	<u>Infrastructure &amp; Improvements</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>		<u>Land</u>
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2013	\$ 39,900	\$ 11,550	\$ 148,133	\$ 199,583	\$ 10,325
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	<u>39,900</u>	<u>11,550</u>	<u>148,133</u>	<u>199,583</u>	<u>10,325</u>
Accumulated Depreciation					
Balance, June 30, 2013	7,983	2,651	80,184	90,818	
Increase	997	578	14,414	15,989	
Decreases	-	-	-	-	
Balance, June 30, 2014	<u>8,980</u>	<u>3,229</u>	<u>94,598</u>	<u>106,807</u>	
Governmental activities Capital Assets, Net	<u>\$ 30,920</u>	<u>\$ 8,321</u>	<u>\$ 53,535</u>	<u>\$ 92,776</u>	<u>\$ 10,325</u>
Business-type activities					
Balance, June 30, 2013	\$ -	\$ 3,421,319	\$ 68,464	\$3,489,783	\$ 12,029
Increases	-	14,000	-	14,000	
Decreases	-	-	-	-	-
Balance, June 30, 2014	<u>-</u>	<u>3,435,319</u>	<u>68,464</u>	<u>3,503,783</u>	<u>12,029</u>
Accumulated Depreciation					
Balance, June 30, 2013	-	830,017	68,464	898,481	
Increase	-	78,309	-	78,309	
Decreases	-	-	-	-	
Balance, June 30, 2014	<u>-</u>	<u>908,326</u>	<u>68,464</u>	<u>976,790</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,526,993</u>	<u>\$ -</u>	<u>\$2,526,993</u>	<u>\$ 12,029</u>
<b>PRIMARY GOVERNMENT Capital Assets, Net</b>	<u>\$ 30,920</u>	<u>\$ 2,535,314</u>	<u>\$ 53,535</u>	<u>\$2,619,769</u>	<u>\$ 22,354</u>

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 10,869	Public works	\$ 78,309
Street	5,120		

NOTE G - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2013	Added	Retired	Balance at June 30, 2014
USDA, Rural Development	\$ 689,195	\$ -	\$ (689,195)	\$ -
USDA, Rural Development	771,826	-	(11,896)	759,930
USDA, Rural Development	-	710,000	(13,141)	696,859
	<u>\$ 1,461,021</u>	<u>\$ 710,000</u>	<u>\$ (714,232)</u>	<u>\$ 1,456,789</u>

As of June 30, 2014, the long-term debt payable from business-type activities resources consisted of the following:

2009 Promissory Note, original issue amount of \$851,000 dated May 18, 2009 issued by U.S. Department of Agriculture, Rural Development, interest rate 4.125%. Monthly payments of \$3,626, for a term of 40 years.		\$ 759,930
Current Portion		\$ 12,392
Non-Current Portion		747,538
Total Notes Payable		<u>\$ 759,930</u>
OWRB, original issue amount of \$710,000 dated August 1, 2013 issued by Oklahoma Water Resources Board, interest rate and payments are variable each year for term of 20 years.		\$ 696,859
Current Portion		\$ 24,355
Non-Current Portion		672,504
Total Notes Payable		<u>\$ 696,859</u>

TOWN OF QUINTON, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

Debt service requirements to maturity are as follows (this includes the full amount of the 2014 note):

	Business-Type Activities		
<u>Year ending</u>	<u>Notes Payable</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,748	\$ 30,808	\$ 67,556
2016	37,857	30,371	68,228
2017	39,281	29,748	69,029
2018	40,616	29,182	69,798
2019	41,999	28,593	70,592
2020-2023	232,244	133,383	365,627
2025-2028	274,975	114,397	389,372
2030-2033	325,708	91,159	416,867
2035-2038	197,227	62,605	259,832
2040-2043	188,424	27,576	216,000
2045	41,710	1,488	43,198
	<u>\$ 1,456,789</u>	<u>\$ 579,310</u>	<u>\$ 2,036,099</u>

NOTE H - CAPITAL LEASES

The Town have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2014 are as follows:

<u>Payable at</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2014</u>
\$ 7,797	\$ -	\$ (5,140)	\$ 2,657
<u>\$ 7,797</u>	<u>\$ -</u>	<u>\$ (5,140)</u>	<u>\$ 2,657</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Truck</u>	<u>Total</u>
2015	2,691	2,691
Total minimum lease payment	2,691	2,691
Less: Amount representing interest	34	34
Total	<u>\$ 2,657</u>	<u>\$ 2,657</u>

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE I - COMPENSATED ABSENCES

The amount that should be reported for accrued compensated absences is not known but is not believed to be material.

NOTE J - PENSION OBLIGATIONS

Town of Quinton participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Oklahoma Firefighter's Pension

		<u>And Retirement System</u>
Eligibility to Participate		All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions		State Statute
Plan members' contribution rate		8% of covered payroll
Town's contribution rate		13% of covered payroll
Period required to vest		10 years
Benefits and eligibility for distribution (full time)		20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 Years considered; If vested, at or after Age 50, or after 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)		20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option		Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:		
Cost of living adjustments		
(normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty,		
post-retirement)	Yes	Yes
Disability	Yes	Yes
Cost of living allowances	Yes	Yes

TOWN OF QUINTON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	<u>Oklahoma Firefighter's Pension</u> <u>And Retirement System</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2014	\$ 780	100%
2013	\$ 1,800	100%
2012	\$ 960	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town retained legal counsel to defend it in any legal action.

NOTE L - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities. The purpose of the audits is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE I - SUBSEQUENT EVENTS

The Town evaluated subsequent events through June 29, 2016, the date which financial statements were available, to determine if any items need to be disclosed. On September 11, 2014, the Authority approved issuance of debt through the OWRB in the amount of \$790,000. They paid of one Rural Development loan and will be paying of the second in the subsequent year.

TOWN OF QUINTON  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance with Original And Final Budget Positive (Negative)
<b>TAXES:</b>			
Sales and Use Tax	\$ 187,320	\$ 196,671	\$ 9,351
Franchise Tax	6,000	6,175	175
Total Taxes	<u>193,320</u>	<u>202,846</u>	<u>9,526</u>
<b>INTERGOVERNMENTAL:</b>			
Cigarette Tax	-	2,443	2,443
Liquor Tax	7,000	7,657	657
Total Intergovernmental	<u>7,000</u>	<u>10,100</u>	<u>3,100</u>
<b>ROYALTIES</b>	<u>4,000</u>	<u>3,609</u>	<u>(391)</u>
<b>FINES AND FORFEITURES</b>	<u>32,500</u>	<u>22,724</u>	<u>(9,776)</u>
<b>INVESTMENT INCOME</b>	<u>1,300</u>	<u>1,119</u>	<u>(181)</u>
<b>MISCELLANEOUS</b>	<u>500</u>	<u>1,716</u>	<u>1,216</u>
<b>TOTAL REVENUES</b>	<u>238,620</u>	<u>242,114</u>	<u>3,494</u>
<b>ADMINISTRATION:</b>			
General			
Personal Service	10,200	-	10,200
Materials and Supplies	9,000	10,024	(1,024)
Other Services and Charges	32,102	4,957	27,145
Capital Outlay	4,000	-	4,000
Total	<u>55,302</u>	<u>14,981</u>	<u>40,321</u>
City Council:			
Other Services and Charges	<u>648</u>	<u>638</u>	<u>10</u>
City Attorney:			
Other Services and Charges	<u>4,000</u>	<u>3,600</u>	<u>400</u>
Clerk:			
Personal Service	1,300	161	1,139
Materials and Supplies	<u>-</u>	<u>672</u>	<u>(672)</u>
<b>TOTAL ADMINISTRATION</b>	<u>61,250</u>	<u>20,052</u>	<u>41,198</u>

TOWN OF QUINTON  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original and		Variance with Original
	Final Budget	Actual	And Final Budget
PUBLIC SAFETY:			Positive(Negative)
Police:			
Personal Service	138,000	133,686	4,314
Materials and Supplies	25,400	24,850	550
Other Services and Charges	9,560	5,565	3,995
Capital Outlay	3,000	5,408	(2,408)
Total	<u>175,960</u>	<u>169,509</u>	<u>6,451</u>
Fire:			
Materials and Supplies	4,500	10,949	(6,449)
Other Services and Charges	8,500	1,784	6,716
Capital Outlay	-	-	-
Total	<u>13,000</u>	<u>12,733</u>	<u>267</u>
Municipal Court:			
Personal Service	<u>3,500</u>	<u>2,750</u>	<u>750</u>
Total	<u>3,500</u>	<u>2,750</u>	<u>750</u>
Total Public Safety	<u>192,460</u>	<u>184,992</u>	<u>7,468</u>
COMMUNITY SERVICE:			
Animal Control:			
Personal Service	1,000	-	1,000
Materials and Supplies	500	1,018	(518)
Other Service and Charges	<u>1,000</u>	<u>233</u>	<u>767</u>
Total	<u>2,500</u>	<u>1,251</u>	<u>1,249</u>
Cemetery:			
Other Services and Charges	<u>5,500</u>	<u>5,333</u>	<u>167</u>
Total	<u>5,500</u>	<u>5,333</u>	<u>167</u>
Civil Defense:			
Materials and Supplies	-	112	(112)
Other Services and Charges	<u>100</u>	<u>98</u>	<u>2</u>
Total	<u>100</u>	<u>210</u>	<u>(110)</u>
Community Center:			
Materials and Supplies	500	415	85
Other Services and Charges	<u>300</u>	<u>-</u>	<u>300</u>
Total	<u>800</u>	<u>415</u>	<u>385</u>
Total Community Service	<u>8,900</u>	<u>7,209</u>	<u>1,691</u>
Total Charges to Appropriations	<u>262,610</u>	<u>212,253</u>	<u>50,357</u>
Changes in Budgetary Fund Balance	<u>\$ (23,990)</u>	<u>\$ 29,861</u>	<u>\$ (46,863)</u>

TOWN OF QUINTON, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 90,884	\$ 47,889	\$ 138,773
Investments	-	50,364	50,364
Receivables:			
Due from other governments	5,156	-	5,156
Due from other funds	149	-	149
 Total assets	<u>\$ 96,189</u>	<u>\$ 98,253</u>	<u>\$ 194,442</u>
 <b>LIABILITIES</b>			
Accounts payable	\$ 750	\$ -	\$ 750
Due to other funds	6,396	-	6,396
 Total liabilities	<u>7,146</u>	<u>-</u>	<u>7,146</u>
 <b>FUND BALANCES</b>			
Unreserved	<u>89,043</u>	<u>98,253</u>	<u>187,296</u>
 Total fund balances	<u>89,043</u>	<u>98,253</u>	<u>187,296</u>
 Total liabilities and fund balances	<u>\$ 96,189</u>	<u>\$ 98,253</u>	<u>\$ 194,442</u>



TOWN OF QUINTON, OKLAHOMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	SPECIAL REVENUE FUNDS		
	STREET AND ALLEY FUND	CEMETERY FUND	TOTAL NONMAJOR FUNDS
Revenues:			
Sales tax	\$ 37,100	\$ -	\$ 37,100
Intergovernmental	7,867	-	7,867
Motor Vehicle Tax	3,647	-	3,647
Lot Sales	1,656	255	1,911
Franchise Tax	14,279	-	14,279
Investment income	-	470	470
Total revenues	64,549	725	65,274
Expenditures:			
Current:			
Community services	52,833	-	52,833
Total expenditures	52,833	-	52,833
Net change in fund balances	11,716	725	12,441
Fund balances - beginning	77,327	97,528	174,855
Fund balances - ending	<u>\$ 89,043</u>	<u>\$ 98,253</u>	<u>\$ 187,296</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council  
Town of Quinton  
Quinton, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Quinton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Quinton's basic financial statements and have issued my report thereon dated June 29, 2016 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Quinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Quinton's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Quinton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Quinton, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 29, 2016